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Denmark

Planting Seeds

Annual

2003

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Report Highlights:
Although Danish grass seed production dropped substantially in 2002, exports reached a record level of 81,190 tons. Ninety percent of the production was exported and 84 percent went to EU countries. 2003 production forecast to be a record of 93,000 tons.

Includes PSD changes: No
Includes Trade Matrix: Yes
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Executive Summary

Denmark produces over 40 percent of EU grass seed and exports about 93 percent of its production - 84 percent of this to Germany and other EU member countries. Exports to non-EU countries are limited. Exports to the U.S. and Canada fell dramatically to 2,285 tons in 2001/02after having peaked to a record 5,133 tons in 1999/00. The same pattern is seen for exports to South America, where two record years were followed by a 65 percent drop in 2001/02 (to 509 tons). Exports to Asia, mainly China, are steadily increasing, reaching 2,036 tons in 2001/02. Imports from the US are minimal and are mainly bent grass.

Danish grass seed output in 2002 decreased to 62,000 tons compared to the previous year's production of 85,000 tons. This decline roughly corresponds to the decrease in acreage of Red Fescue from 30,000 hectares in 2001 to 15,000 hectares in 2002. Since 1998, Red Fescue prices have declined by 36 percent. Total grass seed acreage for 2003 is estimated to have increased to 86,000 hectares, 2,000 hectares more than the record set in 2001. This increased acreage is the result of both a rebound in Red Fescue plantings and an expansion of Perennial Rye Grass plantings.

Denmark has consolidated its position as the world's largest exporter of grass seeds. Total 2001/02 exports reached a record of 81,190 tons, up from 78,930 the previous year and significantly higher than the 1995/96 and 1996/97 levels of about 70,000 MT. The largest seed company in Denmark, DLF-Trifoleum has expanded by buying the Dutch Cebeco Seeds Group and via its subsidiary, Hundsballe Fro buying Dutch Zelder together with Deutsche Saatveredelung. DLF-Trifoleum now has a Danish market share of about 90 percent. Its EU market share is about 50 percent.

While the country's surplus limits the demand for imported grass seed, small but lucrative quantities of bent grass seed for lawns and golf greens are imported . The U.S. has about a 50 percent market share here of Bent Grass seed.

While not officially part of the EU's July 1993 CAP reform, grass seed production in Denmark has been and will continue to be indirectly affected by these reforms. These reforms have made grass seed production more attractive relative to other crops in Denmark and more competitive with other EU producers. Of total average grass seed prices received by farmers, EU production support accounts for about 33 percent. The EU adds 44 percent to the price the farmers are paid by the industry. In total, this support amounted to $30.5 million in 2002 corresponding to 35 cents per kilo.

With the relatively free market access, competition will determine whether future supplies will come from EU seed producers (mainly Denmark, The Netherlands and Germany) or from Canada, New Zealand and the U.S.

The average exchange rate in 2002: U.S. $1.00= DKK 7.88
April 2003: U.S. $1.00= DKK 6.90

Production

Grass area for 2002 was down by 14,000 hectares from a record of 78,623 hectares in 2001, with reduction in the Red Fescue area by 13,500 hectares. The area for harvesting in 2003 is estimated to increase to 86,000 hectares. Area of Red Fescue is forecast to increase by 5,000 hectares and of Perennial Rye Grass by 10,000 hectares.

Yields decreased drastically in 2002. This, combined with lower area reduced the harvest by 27 percent compared to previous year, to 62,000 tons.

Areas with perennial rye decreased by 1,500 hectares and accounted in 2002 for 40 percent of the total seed grass area and 37 percent of production. Red Fescue accounted for another 27 percent of production. Kentucky blue grass increased to a record 11,107 hectares and yielded 8,522 tons, accounting for 14 percent of total grass seed production.

Marketing

Market Development Opportunities

Denmark's status as a major exporter of grass seeds limits opportunities for U.S. exports. Nonetheless, market niches exist -- primarily for varieties not grown in Denmark such as corn varieties for green fodder and bent grass used for golf greens and lawns. In 2002, Denmark imported 32 tons of bent grass from the U.S. at a value of $202,000. Imports of corn are difficult to ascertain as these are imported through Germany and not recorded as being U.S. origin. More than half of total corn seed imports is imported through Germany.

As the EU is a net importer, market opportunities exist for seed grasses, such as high-demanded rye grasses. Nonetheless, Danish imports are very limited and will probably continue to be so because of high production and still relatively high stocks of 39,000 tons.

Marketing Channels

Out of four Danish seed importing companies, DLF-Trifolium has a market share of about 90 percent. Two other companies are Dutch owned.

It appears that Dutch companies are trying hard to sign contracts with Danish grass seed producers. As they will not be able to process the seeds in Denmark, costs will be increased by at least the additional transport cost, and it is difficult to see how they will be able to pay Danish producers above what they are paid by Danish companies.

Competitor Activities

EU grass seed area seems to have peaked and to be gradually decreasing from 206,000hectares tin 1998 to 162,000 hectares in 2002. Denmark is expected to maintain its share of 45 percent of EU production for 2003. DLF-Trifolium has established grass seed production in the Czech Republic for export to other Central European countries and Russia.

The Danish trade maintains that U.S. Seed traders are not sincerely interested in expanding their activities within

the EU, partly due to the difficulty in obtaining the certification of seeds for the EU market. Exporters should remember, however, that, when certified in one EU member state, seeds can be exported to any other member countries.

Prices

Average prices paid to growers decreased by 6.2 percent in the marketing year 2001/02 compared to 2000/01. Prices paid to growers for Perennial Rye Grass, accounting for 43 percent of all grass production, increased in 2002 to DKK 442 ($56) per 100 kg, up DKK 11 (2.6 percent). Red Fescue has dropped from DKK 569 per 100 kg in 2000/01 to DKK 445 for 2001/02.

Outlook

Danish production area is expected to increase in 2003 by 15,000 hectares to 86,000 hectares, far above record levels in 1998 of 80,000 hectares. The increase is almost exclusively in Perennial Rye Grass and Red Fescue areas.

Policy

General Agricultural Policy

The EU's July 1993 CAP reform drastically changed price and production conditions for major crops, as price supports were replaced by area support and set asides. Although grass seeds were not directly included in CAP reform, it had the effect of stimulating most grass seed production (see additional discussion below). The EU's production support for field seeds has been unchanged since 1993.

The EU Agenda 2000 CAP reform agreement in March 1999 further increased grass seed competitiveness relative to grain production, which now faces lower prices. Agenda 2000 did not change the competitive balance among EU countries. The main sources of competition have shifted, however, to Canada for red fescue and to the U.S. for blue Kentucky Blue Grass. Danish producers consider that they now are in a positive production situation, the best since Denmark joined the EU in 1973.

In 2002, the EU Commission presented a Mid-Term Evaluation of Agenda 2000 and its reform proposal include decoupling of direct support programs. For planting seeds, the reform include proposals for a 100 percent decoupling of the production support and incorporating this into the income support at farm level by multiplying the supported amounts by the support rate.

Planting Seed Production Policy

The EU's per kilogram production premiums for grass seeds and its acreage supports for major field crops within CAP reform legislation had the effect of making grass seed production relatively more attractive vis-a-vis other domestic crop alternatives and made Denmark more competitive compared to other EU grass seed producers. The latter is due to higher Danish grass seed yields and a reference period for CAP reform supports established prior to a widespread switch to higher yielding winter varieties.

With a high yield production, Danish seed producers support of the existing EU program, which is based on the

volume of produced seed. In principle, EU support should make EU production more competitive with third country producers. The fact that the EU has become a net importer is seen as a demonstration of the need for higher support fop seed production compared to other crops. EU production support are aimed provide appropriate levels of support versus other EU-supported crops, as well as crop from third countries. The EU support is fixed for two years. The support for the marketing years 2002/03 and 2003/04 are unchanged from the two previous marketing years with the exception of perennial rye grass. Support is for Red Fescue 368.3 Euro/MT, for Italian Rye Grass 211. 3 Euro/MT, for Kentucky Blue Grass 385.2 Euro/MT and for Perennial Rye Grass 309.9 Euro/MT. (One Euro corresponds roughly to $1.08).

Total future production support is fixed under the Budgets Stabilization Agreement with total national support not to exceed the reference period support plus five percent. The reference period is 1996 to 2000 minus the highest and the lowest years, which fix total support to Denmark at DKK 223 million ($26.8 million). With fixed per kilo support prices this means in practice that production exceeding a certain level will be unsupported.

EU production support amounted to DKK 212 million ($25.5 million) in 2001.

Agenda 2000 EU grain price reductions and unchanged seed production support means that it is comparatively more advantageous to grow seeds within the EU and less economical for EU seed companies to propagate in third countries.

As Denmark is by far the largest EU producer of fodder beet seeds, this sector of Danish seed production may be seriously affected by EU proposals for CAP reform and falling support for fodder beets versus of other feed crops. Similar changes in relative competitiveness may occur between grass and pulses, compared to cereals for green fodder.

Danish interest in sugar beet seed production for fodder stems from the fact that the major Danish seed company, DLF-Trifolium, is by far the largest EU producer of this seed. The seed is produced in Italy, as the climate there is advantageous.

Plant Health

According to EU equality directives, a third country may freely propagate and export seeds to the EU if it complies with regulations contained in EU seed directives.

Seed Certification

According to EU regulations, trade is only permitted for certified seeds. Furthermore, growers are not allowed to use their own grass seeds if they are not certified.

Plant Variety Protection

EU plant variety protections were established in 1995. A plant breeder may have their variety protected within all EU member countries by one application and one decision. The EU regulation is based on international convention on protection of new plant varieties (UPOV). The geographical placement of the approving authority is not yet determined but is temporarily based in Brussels.

Tariff Changes.

Under the WTO agreement for reductions of minimum duties, tariffs were reduced to 2 percent at the beginning of the adjustment period (July 1, 1995) followed by a complete elimination in 2000. EU tariffs on planting seeds are now zero.

Non-Tariff Barriers.

The harmonization of EU member state seed directives was introduced in December 1998. The Management Committee agreed to all 34 points concerning the trade aspects. This seems to have no impact on trade with third countries.

GMO's

With the EU's GMO approvals moratorium which has stopped all EU GMO approvals, Danish research in GMO's has been almost completely discontinued. In general, the Danish Ministry of Food, Agriculture and Fisheries and the agricultural organizations view biotech as a useful technology which can benefit farmers, the food industry, and consumers.

The Danish position on the EU Commission proposal for GMO labeling and traceability is positive, with the difference that Denmark supports labeling requirements for final products where biotechnology is not-detectable, such as sugar, meat and milk. However, Denmark support the present Commission proposal now under co-decision (second hearing) with the EU Parliament.

The Danish Government has just prepared a juridical document which clarifies that Denmark can establish its own (read: stricter) national regulations for coexistence (compatibility) without being in conflict with EU regulations. In December 2002, a technical working group (independent researchers and experts) under the Food Minister concluded that coexistence with most Danish conventional and organic crops is possible for a number of crops.

A more detailed report on how this practically might be done is expected to be sent in draft for comments to interested organizations early April, 2003. After the comments have been reviewed in the Ministry, it is expected that a strategy for coexistence will be presented to the Parliament committees for Food, Agriculture and Fisheries as well as the Environmental Committee.

In autumn 2003, at earliest, the Food Minister might propose legislation to the Parliament. Legislation might thus be effective for plantings in 2005.

Apart from the technical problems, a lot of political problems has to be resolved and it might not be easy with the present parliament majority-opposition parliament. One of the major problems to resolve will be that of liability.

Organic Seeds

By 2001, all organic production must be based on products of organic origin, if available at the market. This means that organic beef from grass fed cows must originate from cows that have eaten only organic grass. Danish organic grass seed production amounted in 2001 to 1,387 tons and 1,616 tons in 2002, double the

domestic demand. With Denmark being the sole producer of organic grass seeds in Europe, market potential exists, as organic grass seeds from Denmark will be on the EU market. A database will effective from June 1, 2004 keep track of seeds available on the market.

EU Project Support Arrangements.

The EU FEOGA development section finances projects that aim at improving of the treatment, processing and marketing of agricultural products. Projects accepted for co-financing are supported by 12.5 percent by FEOGA and require additional national government support .

Denmark has effective 2002 discontinued its national support and no EU FEOGA supported projects have been financed in Denmark since.

Export Subsidies

Neither the EU or nationally based export subsidies exist. The only support is the production support described in section entitled "Planting Seed Production Policy."

Export Restrictions

Non-existent.

Quality, Safety and Health

The use of plant protection herbicides has been substantially restricted during recent years due to Danish environmental protection measures and legislation. Since 1987, a number of products essential for seed production have been or will be forbidden. Chemical producers often place the costs of getting new products approved by the government agencies above the modest economic gains in this small and limited market. This view is supported by a pattern of products failing to receive Danish Government approval when they are allowed in other EU member states or third (non-EU) countries.

Consumption

Danish consumption of field grass seeds has remained unchanged the last sixe years at about 6,600 tons with a slight decrease to 6,333 tons in 2002. Danish consumption of perennial rye grass constituted more than 50 percent of total grass seed consumption. Italian rye grass seed accounted for another 20 percent and red fescue, 15 percent.

Trade

General

Total Danish exports of field grass seeds in 2001/02 amounted to 81,190 tons -- up2,260 tons compared with the previous season. Over a span of years, exports of red fescue have increased the most and doubled during the last decade. After large Canadian crops the last two years, exports should revert to normal levels. Exports of perennial rye grass accounted for 42 percent of total exports. With about 84 percent of Denmark's grass seed

exports going to other EU Member States, Germany alone accounts for 35 percent of such trade with the EU.

The total export value of planting seeds (exclusive EU production support of DKK 240 million ($32 million) amounted in 2001/02 to DKK 1.26 billion ($160 million).

Trade matrices

		2002	2002		2001	2001		2000	2000
		US$1000	MT		US$1000	MT		US$1000	MT
1209.23.15 Red Fescue									
IMPORTS									
Netherlands		162	84		102	42		351	82
Germany		19	5		21	8		27	8
France		4	5		39	10		84	33
U.S.		0			11	2			
Total		258	174		222	94		501	130
EXPORTS									
U.S.		194	248		1,038	1,073		2,072	1,645
France		2,652	3,593		2,403	2,508		3,420	3,107
Belgium		122	130		77	81		63	63
Netherlands		2,870	3,962		1,104	1,208		2,196	2,091
Germany		7,752	11,126		6,331	6,826		7,818	7,464
Italy		1,107	1427		898	951		1,228	1,099
UK		2,847	3,245		1,880	1,894		2,559	2,249
Ireland		232	331		182	200		257	234
Spain		433	547		328	365		446	388
Sweden		938	1,068		824	691		632	522
Finland		930	1,145		721	697		1,048	1,029
Switzerland		178	198		242	223		232	189
Austria		461	639		531	570		636	576
Turkey		76	101		59	73		100	91
Poland		251	292		678	666		494	461
Russia		50	55		103	89		121	90
Hungary		254	389		149	184		179	169
Canada					1,049	1,067		2,264	2,075
China		116	144		146	100		320	218
Total		21,927	29,139		19,038	19,847		26,479	24,074

1209.24.00 Kentucky Blue Grass									
IMPORTS									
Germany		252	81		508	165		393	117
Sweden		2	0		40	10		8	2
Netherlands		170	62		213	60		242	95
Belgium		0	0		88	40			
U.S.		3	2		60	19		296	113
Total		465	159		962	316		939	328
EXPORTS									
France		493	234		326	146		442	244
Netherlands		994	517		447	223		791	458
Germany		4,711	2,473		4,533	2,369		5,305	3,037
Italy		685	396		942	479		850	491
UK		350	158		464	213		226	120
Sweden		658	303		702	392		500	275
Finland		537	245		248	106		473	247
Switzerland		856	370		743	352		875	414
Austria		813	431		562	261		290	165
Turkey		104	53		88	53		44	26
Poland		204	112		340	185		590	371
Russia		83	37		107	43		72	37
U.S.		54	30		42	36		299	203
Canada					80	38		672	493
China		667	301		368	143		816	374
Spain		200	99		225	100		347	185
Total		12,465	6,394		11,127	5,476		13,094	7,345
1209.25.10 Italian Rye Grass									
IMPORTS									
Netherlands		74	146		0	0		41	67
Germany		100	141		150	318		377	669
Estonia		114	195		0	0		0	0

Czech Rep.		39	68		10	17		197	359
France		19	35					54	99
U.S.		25	13		0	0		0	0
Belgium		0	0		25	67		41	62
Total		382	619		185	402		716	1,258
EXPORTS									
France		536	993		448	707		653	932
Netherlands		246	355		36	54		114	150
Germany		56	61		51	95		120	220
Italy		782	1,078		474	892		291	648
UK		317	302		113	177		172	252
Spain		231	404		109	170		92	147
Norway		18	24		19	34		58	105
Finland		152	250		148	289		108	184
Argentina					72	153		58	74
Canada								34	48
Uruguay		63	80		135	197		216	368
China		242	257		33	51		27	35
Ireland		22	43		19	41		13	21
U.S.		118	122		121	150		8	6
Total		3,159	4,445		1,911	3,214		2,159	3,522
1209.25.90 Perennial Rye Grass									
IMPORTS									
UK		1,257	2,529		0	0		0	0
France		433	572		265	427		65	65
Netherlands		414	299		159	96		462	453
Germany		103	94		38	13		140	76
Total		2,329	3,562		492	546		715	646
EXPORTS									
France		3,340	4,168		2,859	3,770		47,847	5,701
Belgium		314	445		32	57		25	32
Netherlands		2,371	2,766		1,259	1,887		3,461	4,880
Germany		8,061	11,172		7,008	11,146		9,229	14,304
Italy		1,306	1,515		1,241	1,821		1,452	2,048

UK		4,405	4,257		2,591	3,233		2,859	3,533
Ireland		669	845		315	445		417	596
Spain		638	853		835	1,248		690	895
Norway		148	158		133	153		90	148
Sweden		982	1,249		620	998		278	371
Switzerland		166	203		203	275		165	208
Austria		366	462		468	690		474	694
Turkey		175	180		126	168		147	193
Poland		544	630		751	1,125		410	557
Lithuania					52	80		12	17
Romania		98	78		39	55		3	5
Canada					58	68		19	30
US		135	137		22	39		99	152
Chile		49	39		36	33		94	116
Argentina					289	410		220	301
China		219	204		245	301		375	443
Russia		204	169		271	239		95	101
Hungary		257	327		231	331		175	241
Total		25,299	30,793		20,148	29,200		26,069	36,241
1209.29.10 Vetch seed, cockfoot grass, bent grass									
IMPORTS									
Netherlands		103	12		71	25		16	10
Germany		9	3		3	1		26	10
France		18	6		16	5		49	20
Czech Rep.		7	2		30	19			
U.S.		103	33		215	62		126	38
Total		202	61		368	132		233	86
EXPORTS									
U.S.		1,054	791		1,054	938		532	628
France		514	322		148	99		295	232
Argentina		8	4		653	527		580	512
Netherlands		313	240		171	150		133	112

Germany		1,420	1,009		809	670		553	558
Italy		706	470		455	330		500	388
UK		135	71		60	45		76	66
Spain		271	168		157	108		121	77
Sweden		41	28		34	21		18	5
Austria		164	106		158	137		71	64
Turkey		17	6		14	5		23	8
Poland		29	25		121	117		25	24
Canada					194	185		39	34
China		283	199		133	98		99	9
South Korea		113	79		49	23			
Total		5,407	3,704		4,588	3,705		3,681	3,062

Table 1: Production (P), Domestic Consumption (C), Exports (E), and Domestic Stocks (S) (July 1) of Field grasses 2002. Metric Tons.

	P	C	E	S
Perennial rye grass	26,307	9,334	34,127	9,302
Italian rye grass	1,926	1,319	3,701	4,188
Red fescue	16,904	929	26,773	16,239
Kentucky blue gras	8,522	364	8,101	2,341
Others	9,704	387	4,888	9,325
Total	63,363	6,333	81,190	39,054

Source: Industry statistics
Note: 2002 exports are mainly based on 2001 harvest.

Table 2. EU support to certified planting seeds. EURO per hundred kilo.

	Marketing years 1998/1999-2001/202	Marketing years 2000/2001 + 2001/2002
Cock's food grass	52.77	52.77
Meadow fescue	43.59	43.59
Red fescue	36.83	36.83
Italian rye grass	21.13	21.13
Perennial rye grass, late	34.50	309.9
Perennial rye grass, early	19.20	309.9
Perennial rye grass, ne sorts	25.965	309.9
Hybrid rye grass	21.13	21.13
Low timothy	50.96	50.96
Timothy	83.56	83.56
Perennial rye grass	38.88	38.88
Kentucky Blue Grass	38.52	38.52